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National Home Center News®

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Industry stocks plummet in panic

Some rebound toward end of hectic week

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — When John Lacey came home Oct. 19, his wife met him at the door.

"I don't know what star you live under," she told the executive vice president of Molson Cos., which owns Toronto-based Beaver Lumber, "but it sure is lucky."

Just three weeks before, Lacey had liquidated most of his stock to finance the purchase of a new home. Misery Monday—with its 508-point Dow Jones Industrial Average drop to 1,738.4—didn't affect him.

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Largest Industry Losers on Misery Monday

Company	Closing Price Monday Oct. 19	Price Change ($)	% Drop in Market Value
Zayre	15⅝	−9⅛	−36.8%
Standard Brands Paint	17½	−6	−25.5
K mart	25½	−8½	−25.0
Home Depot	15½	−4½	−22.5
Payless Cashways	12⅝	−3⅜	−21.1
Grossman's	5⅞	−1½	−20.3
Strober Organization	9¼	−2¼	−19.6
Natl. Hardgoods Dist.	5½	−1	−15.4
Lowe's	19¼	−3¼	−14.4
Scotty's	12	−1⅞	−13.5
Pay 'N Pak	16⅛	−2⅜	−12.8
Wickes Cos.	12½	−1⅝	−11.5
Wolohan	11½	−1¼	− 9.8
General Bldg. Prod.	7½	− ¾	− 9.1
Hechinger A	17	−1¼	− 6.8
National Lumber	4½	− ¼	− 5.3

Source: New York Times. NHCN chart.

By Thursday's market close, the stocks of 10 of the 16 companies listed were trading at prices lower than on Misery Monday.

Insurers push 'boom rooms' for flammables

By Gary S. Ruderman
NHCN staff editor

NATIONAL REPORT — There's no more explosive a topic than the storage of hazardous materials. Ask Charles Goodman, president of San Francisco's Goodman Home Centers:

Two years ago, an insurance underwriter walked through his company's 100,000-square-foot warehouse and saw pallets of spray paint. Then, Goodman recalls, the underwriter told him:

"Your insurance is cancelled at 5 p.m. today."

Ever since a fire razed K mart's 1.2 million-square-foot distribution center in Falls Township, Pa., and caused $100 million in damages five years ago, insurance companies have increased their surveillance of the warehousing of flammable products that are key to the home improvement industry: aerosol paints, propane tanks, certain solvents and even palletized cardboard boxes.

Goodman's solved its storage problem by installing two 40-foot steel cargo containers costing $2,000 each. It then dumped its insurance carrier.

But wholesalers and retailers in all parts of the country are taking pre-emptive measures to safeguard warehouses before insurance com-

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Conn. lowers minimum age for employment

By Ariane Sains
NHCN staff editor

NATIONAL REPORT — From southernmost Greenwich to northernmost Enfield, "help wanted" signs peer permanently from the windows of Connecticut retailers.

Facing an ever-dwindling labor pool, with no relief from the state's minuscule 3.2 unemployment rate in sight, Connecticut legislators in early October amended the child labor law to allow 15-year-olds to work in retail businesses. At the same time, they raised the minimum wage to $3.75 an hour.

But for many the liberalized law isn't likely to help. It keeps 15-year-olds out of factories, so it doesn't impact companies like Stanley Works and Emhart, each with headquarters in Connecticut.

It still limits the number of hours 15-year-olds can work. It also limits the types of jobs they can do, most notably barring them from restaurant employment.

And retailers say there are other problems with hiring 15-year-olds.

(Continued on page 63)

New Calif. EPA law forces reformulation of paint and stains

By Brad Altman
NHCN staff editor

LOS ANGELES — Paint and stain manufacturers are reformulating products to comply with new rules which mandate lower levels of solvents in certain oil-base coatings in California's most populated counties.

Jeff Fantozzi, supervisor of technical services for the California Redwood Association, said air quality regulations for

(Continued on page 62)

Channel opens DC, remodels Houston units

By Brad Altman
NHCN staff editor

HOUSTON — Forecasting an easing of the oil-related recession here, the new management team at Handy Dan, in September, completed a $1 million remodeling of nine of 19 Houston-area Handy Dan stores and opened a 400,000-square-foot distribution center and offices.

Bernard Eisenberg, senior vp-operations for Handy Dan parent Channel Home Centers based in Whippany, N.J., said Houston is "demographically well populated, and the needs of the homes have to be serviced."

Eisenberg was one of seven Channel directors who participated in a senior-management-led leveraged buyout late last year from W. R. Grace. Channel has 179 stores in 16 states with an annualized volume of about $750 million.

The 9,000-employee company is divided into two divisions: a Northern U.S. region where 110 Channel units operate, and a Southern 69-store Handy Dan division that includes Handy City, House Works! and Handy Dan.

As part of its renewed commitment to this economically depressed area in Texas, Handy Dan has designed a prototype store for Houston—a 50,000-square-foot outlet on Beechnut near Highway 6 that company officials say is modeled after Channel outlets of the same size and configuration.

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A forklift driver moves a stack of lumber in Channel Home Center's new 400,000-square-foot distribution center in Houston. The company has also renovated nine area stores. NHCN photo

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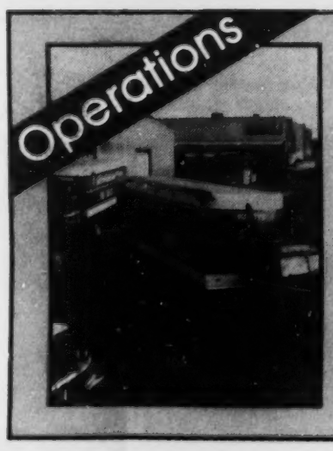

Home center chains cope with woes of owning truck fleets 44

Electronic aids help track truck fleets 44

NEWSBREAKS

WICKES LUMBER TO BE SOLD: The 225-unit, Vernon Hills, Ill., chain, is on the block along with two other Wickes Cos. divisions, Kayser-Roth Apparel and Hosiery. The three units had aggregate sales of $1.8 billion and operating income of $80 million last year. Their combined book value is estimated at $600 million, though Wickes expects "substantially more" from their sale. Wickes Lumber vp Les Hagen did not dismiss the possibility of a management buyout of the chain.

INDUSTRY UPDATE

Forest City president resigns

CLEVELAND — Ed Seymour has resigned as president of the Forest City chain here, a move that appears to be the final chapter of that chain's acquisition by Handy Andy Home Improvement Centers.

Seymour, 53, told an *NHCN* reporter that he was leaving Forest City to develop a new chain on the East Coast. (Seymour's secretary noted that he planned to move back to Pittsburgh within a year, although this could not be confirmed.)

Saying he parted from Forest City's parent company Handy Andy on the best of terms, Seymour said he was in the Northeast seeking real estate for the new venture. The 18-unit Forest City chain was acquired in April by Schaumberg, Ill.-based Handy Andy, the 45-plus unit home improvement chain with operations in Illinois, Indiana and Wisconsin.

"This new business is not home center related," said Seymour, who left Forest City Oct. 12. "If this is successful, I'll stay with it. If not, I'll be back knocking on doors." Seymour would only describe his new calling as "starting a new [retail] business in a new community for an existing company."

Seymour became president of Forest City in 1980, and initially planned to expand the chain rapidly. But market and economic conditions dictated against that, and the chain eventually decided to close its four units in Chicago and concentrate on operating its stores in Cleveland; Akron, Ohio; and Detroit.

Prior to joining Forest City, Seymour was president of Kelley and Cohen, a speciality TV and appliance chain.

Seymour's replacement was unknown but it is believed that Handy Andy will appoint general managers for its three Forest City markets.

Zayre takeover bid investigated

FRAMINGHAM, Mass. — The Chicago Board Options Exchange has initiated an investigation into trading of Zayre options that occurred in mid-September just before investor Edward J. DeBartolo Jr., announced his accumulation of Zayre stock. Jay Meltzer, general counsel for Zayre, said that the company had no comment on the investigation because it did not concern Zayre directly.

In mid-October, Meltzer said there had been no additional contact from DeBartolo concerning the accumulation of stock and possible takeover attempt by the Youngstown, Ohio-based investor. DeBartolo, whose family owns the largest shopping mall development business in the country, had informed Zayre Oct. 2 that he might try to gain a majority stake in the company.

Hechinger to open 1st in Conn.

LANDOVER, Md. — Hechinger Co. will open its first New England store in Hartford, Conn., in January, according to Sally Courtney, senior vp-general merchandise.

The Connecticut market is just one of six markets that Hechinger hopes to penetrate over the next two years as it accelerates its expansion plans. Other new markets are Rhode Island, Delaware, West Virginia, Tennessee and Long Island, the stretch of land just east of New York City.

The Huntington store in Long Island is one of seven store openings announced for 1988, although more could be planned. It will open two new stores in metropolitan Washington, as well as single units in Harrisonburg, Va., Centreville, Va., and Dublin, Ohio.

These will all follow the 60,000 square-foot prototype and some will feature 30,000-square-foot outdoor garden centers, where the land is available and market size is amenable. The $588 million Hechinger currently operates 69 stores.

Westlake buys Euston's unit

LENEXA, Kan. — The voracious Westlake Hardware has made another acquisition, when it recently purchased a 20,000-square-foot store from the five-unit Euston's Hardware chain in Kansas City, Mo.

The acquisition was for an undisclosed sum and brings to three the number of new purchases Westlake has made this year, including a number of Handy Dan units as well as 21 Lindsley Home Care Centers in Miami. Westlake is using its newly formed Lone Star Hardware division in San Antonio, Texas, as its expansion arm.

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Retail warehouse executives form new wholesaling venture

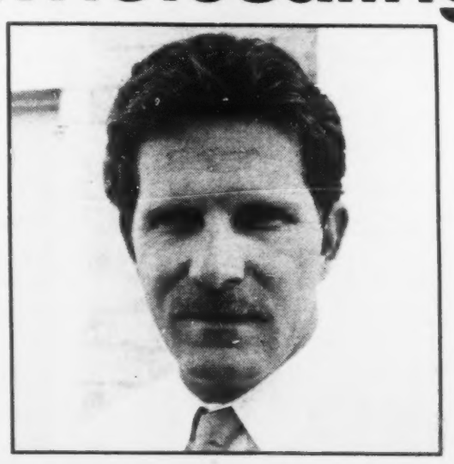
By Phillip M. Perry
NHCN staff editor

DANIA, Fla. — Several executives associated with the home center industry are involved in a new company formed to become a multiproduct source for the home decoration, home improvement and builders' supplies industries.

Builders Design, which raised $5.4 million in a public offering this summer, reported revenues of $10.1 million and earnings of $332,165 for the year ended Feb. 28.

The company plans to form a division for the distribution of a variety of products to home centers, although a time frame for this division has not been set.

Already, the company has begun an experimental program to sell custom window blinds through home centers. The test is being conducted at Babcock Building Supply, a chain of eight retail outlets based in Melbourne, Fla.



Robert McNulty, chairman of Builders Design. NHCN photo

The test display involves vertical blinds, miniblinds and pleated shades.

Robert J. McNulty, former president of HomeClub, is chairman of the new firm. He holds 160,467 shares of its common stock, or 2.4 percent of its outstanding shares. McNulty also is chairman of All American Sports Club, a chain of sporting goods stores.

Michael R. Morton, senior vp-development at Builders Square, a K mart subsidiary, is treasurer and a director of the company. He owns 93,800 shares, or 1.4 percent of the outstanding common stock.

Frank W. Denny, chairman of Builders Square, is an investor in Builders Design. He holds 171,667 shares of its

(Continued on page 64)

Disston purchase by giant U.K. toolmaker collapses

By an NHCN staff editor

GREENSBORO, N.C. — A deal that would have placed ownership of The Disston Co. here in the hands of Britain's largest toolmaker collapsed on Oct. 22.

The stock deal of the $50 million Disston, a 144-year-old hand tool supplier, was to have been completed on Oct. 23 by James Neill Holdings PLC, a $150 million tool supplier based in Sheffield, England, with subsidiaries in the U.S., Canada, Australia, New Zealand and South Africa.

The Disston deal would have boosted Neill Holdings consumer sales to 40 percent of its total volume from 25 percent.

Details about why the acquisition collapsed were spotty. Chris Harrison, Neill Holdings' group finance director, told *NHCN* in a telephone interview that his company was "bound by confidentiality" not to describe in detail why the deal fell through.

He did note, though, that the Disston acquisition "was always conditional on the approval of our shareholders and on certain conditions being met [by Disston]. One of those conditions was not met."

Harrison confirmed that his company had no plans to conduct any further negotiations with Disston. He declined to elaborate on whether the unmet condition had anything to do with the remuneration package set up for Disston's president and owner Henry G. Libby, who had successfully turned around a flagging com-

(Continued on page 64)

Joe Butler Jr. dismissed as executive vp by LAT

By an NHCN staff editor

AUSTIN, Texas — Joe Butler Jr., the executive vp of the Lumbermen's Association of Texas (LAT), was fired by the group's board of directors during a meeting in Dallas Sept. 26.

In a terse, four-sentence statement in its monthly newsletter, the LAT provided no explanation for Butler's sudden and unexpected dismissal. The group's news bulletin reported that Butler was "no longer performing the services of [an] LAT executive vp" and would be temporarily replaced by Barbara Douglas as acting executive vp.

Douglas formerly ran the LAT's convention and exposition activities, the same job Butler held before he assumed the executive vp role from his father in April 1986. Butler's father retired after a 20-year career with the group.

Joe Butler Jr., former executive vp of the LAT. NHCN photo

(Continued on page 63)

Suppliers optimistic at Nat'l Hardware Convention

By an NHCN staff editor

TORONTO — Wholesalers and manufacturers attending the National Hardware Convention here said they expected a strong financial finish for the year, and that prospects are bright for 1988.

Attendees were even optimistic in the face of the stock market's 508-point crash Oct. 19.

"I don't think [the crash is] going to affect the consumer if the market rebounds," said a representative for McCulloch Corp. at the show, who asked not to be identified. He said the family-owned company will show double-digit income growth when it posts its end-of-year financial figures. The company does not release those figures publicly.

Nolan Archibald, chairman of Maryland-based Black & Decker Corp., said he is "very pleased" with the company's latest financial figures, which will be released within 30 days.

Other manufacturers and wholesalers pointed to the most recent 4.4 percent increase in housing starts as evidence of a strong economy.

Manufacturers also predicted minimal price hikes for 1988. "We're still selling off of our 1984 price list and are guaranteeing prices through 1988," said Robert Cannon, vp-sales for Channellock, the Meadville, Pa.,

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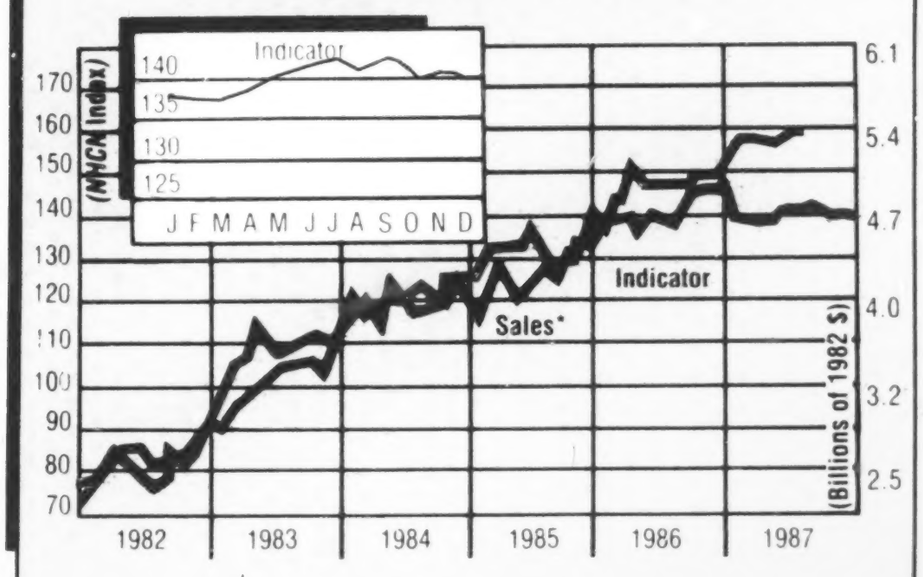
BUSINESS WATCH

NHCN Leading Sales Indicator



*—Monthly retail trade building materials, hardware and supplies in (1982 $).

Indicator—represents an estimate of future building material retail sales (adjusted for inflation) relative to Jan. 1980, based on current levels of housing starts and resales, personal income, interest rates and related data.

The NHCN Leading Indicator is projecting a flattening in building material sales during the second half of 1987. Resales are declining in recent months and point to a slowdown in sales in the months ahead.

S. Atlantic states facing slower than predicted growth in 1988

By Richard E. Mount
Special to NHCN

Building material retail sales are expected to increase 9 percent in the South Atlantic states in 1987. Adjusted for price increases, the regional gain will be only 5 percent, slower than the 7 percent national average.

Building material sales accelerated in early 1986, rising 30 percent on a year-to-year basis. But by the second half of 1986, sales began to soften rapidly, and by early 1987 were running 10 percent behind the 1986 pace.

Building material sales in the South Atlantic began to recover in early 1987, and I expect sales to continue to strengthen in the second half of 1987 and into 1988. But, because of the regional weakness that has already taken place in the first half, sales for the year will trail the national gain.

Richard E. Mount

Resales accelerated nationally in the second half of 1986 as owners of second homes and investment properties sold to take advantage of the more favorable capital gains rates for the appreciation on their properties.

In the first quarter of 1987 resales declined, pressuring building material sales in the first half. Because of the concentration of second and investment homes in the South Atlantic states, this region felt the impact of the new tax law more than others.

(Continued on page 19)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

Home Center Industry Regional Outlook

		1986 QIV	1987 QI	1987 QII	1987 QIII	1987 QIV	1988 QI	1988 QII	1985	1986	1987	1988
***NHCN* Leading Sales Indicator** (February 1980 = 100)		139.1	138.6	140.2	141.9	140.4	141.1	142.3	118.5	130.4	140.3	142.9
Building Material Retail Sales												
Current	**$ Millions SAAR Total United States**	64,584	69,660	68,780	72,672	74,560	76,091	77,303	55,695	65,529	71,418	77,927
	New England	3,488	3,672	3,913	3,830	3,907	3,980	4,035	2,597	3,301	3,830	4,064
	Middle Atlantic	8,274	8,600	9,279	9,280	9,484	9,664	9,802	6,427	7,899	9,161	9,873
	East North Central	11,627	11,515	12,784	12,928	13,279	13,567	13,779	10,081	11,126	12,627	13,918
	West North Central	4,610	4,626	5,195	5,036	5,152	5,258	5,342	4,114	4,393	5,002	5,385
	South Atlantic	12,405	13,964	12,947	14,622	15,016	15,317	15,553	11,135	12,980	14,137	15,675
	East South Central	3,549	4,120	3,959	4,208	4,339	4,451	4,538	3,104	3,683	4,157	4,590
	West South Central	7,052	8,109	7,470	7,856	8,060	8,225	8,372	7,320	7,523	7,874	8,454
	Mountain	3,508	3,797	3,474	3,888	4,004	4,086	4,151	2,956	3,457	3,791	4,189
	Pacific	10,071	11,257	9,956	11,024	11,318	11,543	11,711	7,827	9,550	10,889	11,780
Constant	**Millions $1982 SAAR Total United States**	60,242	64,420	63,411	65,750	66,200	66,300	66,100	52,663	60,490	64,945	66,000
	New England	3,254	3,396	3,608	3,465	3,469	3,467	3,450	2,463	3,125	3,484	3,442
	Middle Atlantic	7,718	7,953	8,555	8,396	8,421	8,420	8,381	6,096	7,476	8,331	8,362
	East North Central	10,845	10,649	11,786	11,697	11,790	11,821	11,799	9,564	10,534	11,481	11,788
	West North Central	4,300	4,278	4,789	4,556	4,574	4,581	4,568	3,903	4,158	4,550	4,561
	South Atlantic	11,571	12,914	11,936	13,229	13,333	13,346	13,299	10,562	12,286	12,853	13,276
	East South Central	3,310	3,810	3,650	3,807	3,853	3,879	3,880	2,944	3,487	3,780	3,887
	West South Central	6,578	7,499	6,887	7,108	7,156	7,167	7,159	6,944	7,120	7,162	7,159
	Mountain	3,272	3,511	3,203	3,518	3,555	3,560	3,550	2,804	3,271	3,447	3,547
	Pacific	9,394	10,410	9,179	9,974	10,049	10,058	10,014	7,425	9,034	9,903	9,978
Per Cent of U.S. Total												
Current	**Per Cent of U.S. Total ($Current) Total United States**	100.00	100.00	100.29	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
	New England	5.40	5.27	5.69	5.27	5.24	5.23	5.22	4.68	5.17	5.36	5.22
	Middle Atlantic	12.81	12.35	13.49	12.77	12.72	12.70	12.68	11.58	12.36	12.83	12.67
	East North Central	18.00	16.53	18.59	17.79	17.81	17.83	17.85	18.16	17.41	17.68	17.86
	West North Central	7.14	6.64	7.55	6.93	6.91	6.91	6.91	7.41	6.87	7.01	6.91
	South Atlantic	19.21	20.05	18.82	20.12	20.14	20.13	20.12	20.06	20.31	19.79	20.12
	East South Central	5.50	5.91	5.76	5.79	5.82	5.85	5.87	5.59	5.76	5.82	5.89
	West South Central	10.92	11.64	10.86	10.81	10.81	10.81	10.83	13.19	11.77	11.03	10.85
	Mountain	5.43	5.45	5.05	5.35	5.37	5.37	5.37	5.32	5.41	5.31	5.37
	Pacific	15.59	16.16	14.48	15.17	15.18	15.17	15.15	14.10	14.94	15.25	15.12
Industrial Production												
Index (1977 = 100)	Brick	96.3	98.1	97.1	99.3	96.3	95.4	94.3	88.5	92.9	97.7	93.6
	Cement	108.0	117.9	111.1	107.2	105.7	103.5	101.9	105.7	109.3	110.5	101.4
	Gypsum Wallboard	134.5	134.6	134.2	133.1	132.1	131.2	130.4	126.4	133.3	133.5	129.7
	Hardware	102.2	102.9	103.8	105.2	103.9	102.9	101.5	100.9	102.1	104.0	101.1
	Lumber Products	135.9	139.8	143.7	138.2	131.6	127.5	125.4	122.9	133.3	138.3	124.4
	Paint	96.4	100.0	97.3	103.4	102.2	101.6	101.1	101.9	100.2	100.7	100.9
	Plywood	166.8	175.6	181.0	175.0	162.0	158.6	156.2	138.7	161.8	173.4	155.7

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
October 15, 1987

The Home Center Industry Outlook runs in two parts, in alternate issues. The first part includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. The second part includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

BUSINESS WATCH

S. Atlantic states face slower growth

(Continued from page 18)

Employment gains in the region continue to rise, however, and resales are rebounding from their first quarter drop, increasing building material demand. Single-unit housing starts will be a negative factor in the outlook, however. Starts in the first half of 1987 trail the pace of a year ago, and the rise in mortgage rates in September and October will depress new housing in the second half.

Resales will not be as hurt by higher mortgage rates as new housing. In the South, the average resale is about 5 percent less than for new homes and buyers will shift more to the resale market to limit monthly mortgage payments.

Local conditions

The South Atlantic states are a diverse region, spreading from West Virginia to Florida. The area has been buffeted by a slowdown in employment in some states and the new tax law that altered the deductions for investment properties and reduced marginal personal tax rates, thereby increasing the after-tax cost of second homes.

Employment gains in the region continue to rise, increasing building material demand.

The strongest states for employment in 1986 and 1987 have been Florida, North Carolina and South Carolina, with gains of 3.5 percent to 5 percent over a year ago. These states enjoy diverse economies, lower wage rates, and continue to attract firms from other parts of the country. All three, however, saw resales falter in early 1987, the result of the new tax law.

Moderate growth of 2 to 3 percent in employment is occurring in Georgia, Maryland and Virginia. Georgia is troubled by inroads in manufacturing products by overseas firms and softness in high tech demand. These industries are improving now. Maryland and Virginia remain strong but are feeling the impact of lower federal government spending.

Delaware and West Virginia have been the weakest in the region. Delaware is beginning to improve now, but West Virginia remains soft because of the slowdown in the energy sector.

Regional outlook for 1988

Building material sales should increase 3 percent in unit volume for the South Atlantic states, stronger than the 2 percent national average. Fears over the tax law are abating, and second or investment home demand will improve.

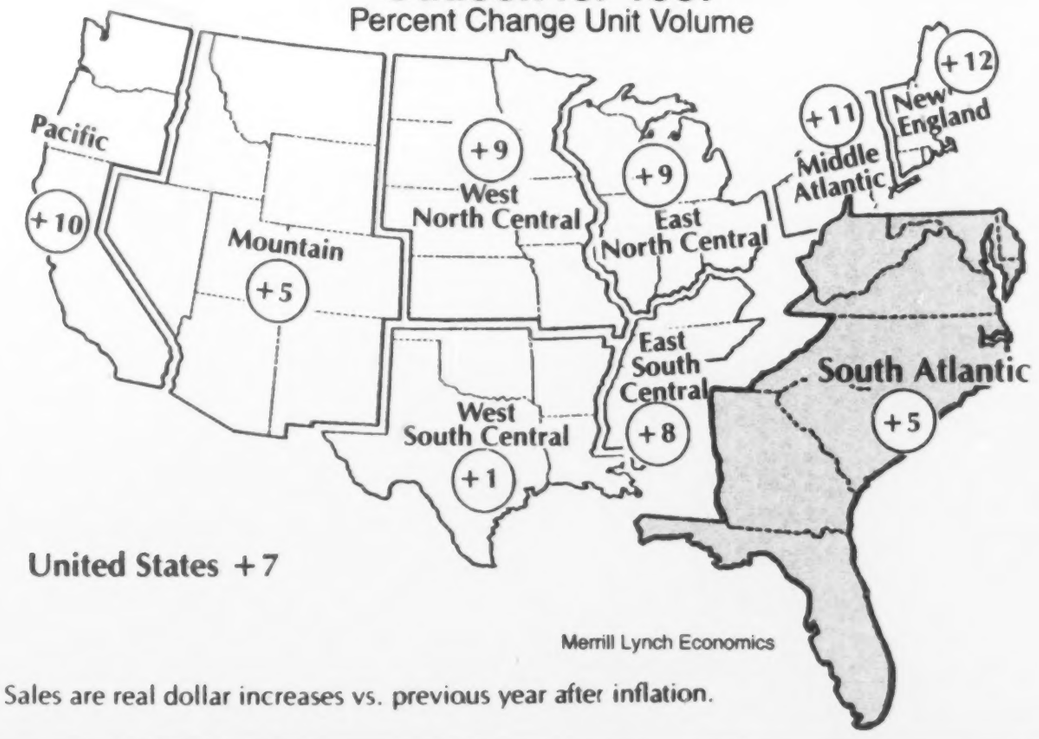
The region is attractive to retirees from the North, and the rise in home prices in the Northeast will increase the demand for retirement homes in Florida and the Carolinas.

The dollar is declining and will make manufacturing in Georgia more competitive in world markets. The decline in the growth rate of government spending is over, stabilizing the weakening in Maryland and Virginia.

Finally, the energy sector is slowly improving and the West Virginia economy will inch up.

Building Material and Supply Store Sales Outlook for 1987

Percent Change Unit Volume



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Merrill Lynch Economics

Sales are real dollar increases vs. previous year after inflation.

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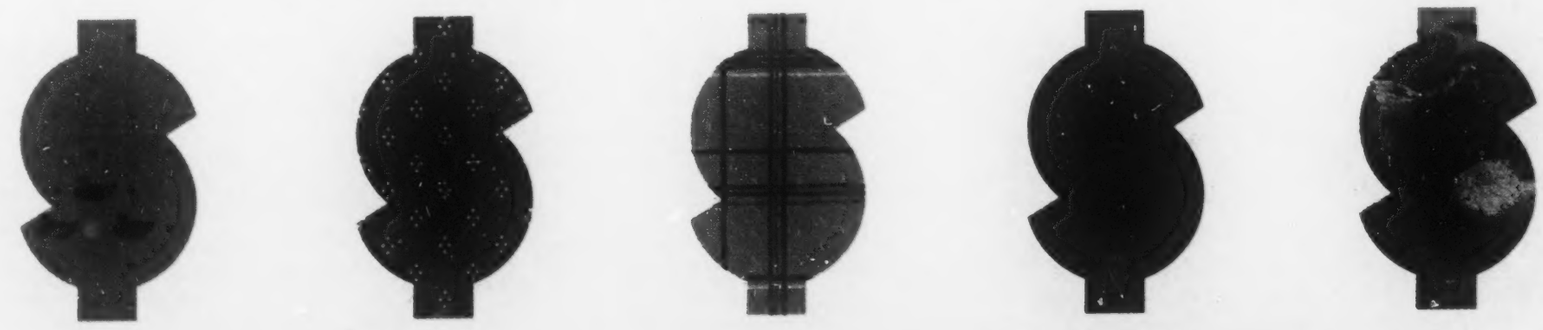

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